

**OPENING STATEMENT OF
 REPRESENTATIVE EDWARD J. MARKEY (D-MA)
 ENERGY AND POWER SUBCOMMITTEE
 HEARING ON PRICE FLUCTUATIONS IN OIL MARKETS**

THURSDAY, MARCH 9, 2000

Thank you. I would like to begin by commending you for calling today's hearing on the outrageous increases that have recently occurred in the price of home heating oil, and the prospects for high prices at the gas pump this summer.

As I have been listening to some of the opening statements and reviewing the testimony submitted by the witnesses, I find myself truly inspired by the eloquent odes to the free market and the dire warnings about the catastrophic consequences of any government intervention into the operation of the marketplace. And I wonder, just where all of these witnesses last March, when the Subcommittee held a hearing just upstairs to pressure the Administration to block additional sales of Iraqi oil under the Oil-For-Food program because certain Members from oil producing regions felt that oil prices were too low and they wanted to drive these prices back up? Where were all of these opponents of government intervention into the markets last October when this Committee approved H.R. 2884, the Energy Policy and Conservation Act reauthorization bill, which included a provision directing the Department of Energy to purchase oil from marginal "stripper wells" in the U.S. whenever the price dropped below \$15 per barrel?

Now, for most of my constituents up in Massachusetts, the term "stripper well" sounds like something you used to find down in a section of Boston we refer to as the Combat Zone. But this Committee decided last Fall that it was so important to protect "stripper wells" from the threat of low oil prices, that we had to set up a special little welfare program for them. But now that oil prices are too high and consumers in the Northeast are suffering, what are we going to do? Are we going to actually get the Administration to use its existing legal authority deploy the Strategic Petroleum Reserve? Are we going to get around to creating a regional refined product reserve that could be quickly deployed in the Northeast when we face energy emergencies? No, we are told, that would be *wrong*. That would be *interfering* in the operation of the free market. And we just couldn't do that.

Well, the fundamental fact of the world oil market is that it is not a free market. Much of the supply is controlled by the OPEC oil cartel. OPEC governments meet to set production quotas and establish target prices – not the hidden hand of a free market. So, if it is acceptable for the U.S. government to intervene when prices are too low for the producer states – which is what this Subcommittee apparently thinks because that is just what H.R. 2884 does – why is it not also acceptable for the government to intervene when oil prices are too high and consumers are being harmed?

Ten years ago, I joined with Representatives Moorhead (R-CA) and Lent (R-NY) to offer an amendment to the Energy Policy and Conservation Act which would create – on an interim basis -- a federally sponsored regional storage facility for petroleum products. Our amendment, which was signed into law into law in September 1990 as Section 160(g) of the Act, would have mandated that DOE set up a regional refined products reserve on a test basis. The Bush Administration's Department of Energy then completely disregarded the direction of the Congress that the regional reserve be located in those areas of the country – such as the Northeast – that were most dependent on imported petroleum products or likely to experience shortages of refined petroleum products. Instead, they proposed to set up the

regional refined reserve using existing facilities on the Gulf Coast! And then, to add insult to injury, the Bush Department of Energy then refused to spend any money on the program!

I wish I could say that the Clinton Administration Department of Energy had corrected the problem. But it didn't. It failed to insist that Congress appropriate funding for this program between in 1994 and 1994, and then it walked away from the program. In 1996, when we were experiencing an earlier round of high oil prices, the Department actually undertook a paper study of the desirability, feasibility, and cost of creating a regional refined product reserve. And even this study – which I think understates matters – was forced to conclude that "the benefits of a...2 million barrel [refined product petroleum reserve] located in leased terminals in the Northeast would approximate or exceed its costs, provided that its costs could be reduced by trading [Strategic Petroleum Reserve] crude oil for distillate fill."

Despite this favorable conclusion, the Department subsequently took the official position that "A Government-owned and controlled crude oil reserve, located in the Gulf Coast region, is the most cost-effective way to ensure continued oil product supplies to the Nation during a severe oil supply interruption." In other words, no regional refined product reserve. Indeed, last September 23rd, the Department's Assistant Secretary for Fossil Energy actually testified before this Subcommittee that the Administration wished to delete "unused provisions of the law that provide for the establishment of regional and industrial petroleum reserves." Unused? I'll say these are unused. These provisions are unused because neither this Administration nor its predecessor ever bothered to make use of them. Instead, DOE has chose to disregard and ignore the problem. And so, I look forward from hearing from the Department this morning about the lessons of this winter's home heating oil crisis. Perhaps now, the Department will finally wake up and act.

I also look forward to the testimony of our other witnesses. There are a number of issues that merit further examination by this Subcommittee – including the potential for anti-competitive activities in this market and the need to increase investment in energy efficiency and alternative energy. I hope to explore some of these areas in today's hearing.

Thanks again, Mr. Chairman, for scheduling this timely and important hearing.